Actuarial & Employer Services Branch
P.O. Box 942709
Sacramento, CA 94229-2709
Telecommunications Device for the Deaf - (916) 795-3240
(888) CalPERS (225-7377) FAX (916) 795-3005

December 13, 2005

AGENDA ITEM 5

TO: MEMBERS OF THE BENEFITS AND PROGRAM ADMINISTRATION COMMITTEE

I. SUBJECT: Results of the June 30, 2004 Actuarial Valuations for Public Agencies

II. PROGRAM: Retirement

III. RECOMMENDATION: None – this is an information item.

IV. ANALYSIS:

CalPERS' actuaries completed the June 30, 2004 Public Agency actuarial valuations on schedule shortly before the end of October 2005. These valuations set the employer contribution rates for fiscal year 2006-2007.

Changes from Prior Year
The valuations reflect the impact of the 16.7% investment return for fiscal 2003-2004 and the new rate stabilization policy adopted by the Board in April.

Impact of Changes
Although the investment return was 16.7% for fiscal year 2003-2004, there is no resulting decrease in employer contribution rates from 2005-2006 to 2006-2007. This is because there were investment losses from 2000-2001 through 2002-2003 that had not yet been recognized under the (old) asset smoothing method. These investment losses were approximately 10% of market value. The investment gain for 2003-2004 effectively eliminated this backlog of losses that otherwise would have caused contribution rates to increase for several more years.

The change to the new asset smoothing method contained in the new rate stabilization policy had very little impact on the 2006-2007 employer contribution rates. However, in some cases, the new amortization method for gains and losses contained in the new rate stabilization policy resulted in a reduction in employer contribution rates for non-pooled plans.

Overall, the average employer contribution rates for 2006-2007 remain unchanged from their 2005-2006 levels at 12% and 26% of payroll, respectively.

Comparison of 2005-2006 and 2006-2007 Employer Contribution Rates
The following tables show the distribution of the 2005-2006 and the 2006-2007 contribution rates for miscellaneous and safety plans.

2005-2006 Rates

	Miscellaneous Plans		Safety Plans	
	Number of Plans	Percent of Plans	Number of Plans	Percent Of Plans
0%	79	6%	5	0%
0-10%	355	27%	29	5%
10-20%	783	59%	124	20%
20-30%	86	7%	287	46%
30-40%	10	1%	154	24%
40%	3	0%	29	5%
	1,316		628	

2006-2007 Rates

	Miscellaneous Plans		Safety Plans	
	Number of Plans	Percent of Plans	Number of Plans	Percent of Plans
0%	52	4%	3	1%
0-10%	385	29%	25	4%
10-20%	803	60%	135	23%
20-30%	84	6%	268	44%
30-40%	10	1%	130	22%
40%	1	0%	33	6%
	1,335		594	

Estimate of 2007-2008 Employer Contribution Rates
As in prior years, the actuarial valuation reports include an estimate of the employer contribution rates for the next fiscal year, in this case 2007-2008. The estimates reflect the impact of the (approximately) 12% investment return for fiscal 2004-2005. However, because the asset smoothing method reserves the majority of the asset gain as an offset against potential future losses, we are estimating that 2007-2008 miscellaneous and safety employer contribution rates will again remain unchanged at their current levels of 12% and 26% of payroll, respectively.

The following tables show the distribution of the ESTIMATED 2007-2008 contribution rates for miscellaneous and safety plans.

ESTIMATED 2007-2008 Rates

	Miscellaneous		Safety	
	Number of Plans	**Percent of Plans**	**Number of Plans**	**Percent of Plans**
0%	64	5%	3	1%
0-10%	371	28%	25	4%
10-20%	803	59%	136	23%
20-30%	87	7%	272	45%
30-40%	9	1%	125	21%
40%	1	0%	33	6%
	1,335		594	

As always, member contributions (whether paid by the employer or the employee) are in addition to the above rates unless the plan is superfunded.

Funded Status

Public Agency plans are generally well funded as of the June 30, 2004 valuation date. Miscellaneous plans tend to be better funded than safety plans. The funded ratio is equal to the actuarial value of assets divided by the actuarial accrued liability, expressed as a percentage.

The table below shows the average funded ratios for miscellaneous and safety plans for the three years prior to this year's valuation.

Funded Ratios for Prior Three Years

	Miscellaneous Plans	Safety Plans	All Plans
Average Funded Ratio on June 30, 2001	122.3%	104.9%	114.8%
Average Funded Ratio on June 30, 2002	104.5%	89.8%	98.1%
Average Funded Ratio on June 30, 2003	91.4%	85.1%	88.7%

Mandated participation in risk pools for all rate plans with less than 100 active members was implemented as of June 30, 2003. As of June 30, 2004, funded ratios for pooled plans are no longer calculated on an individual agency basis.

The table below shows the average funded ratios for all pooled miscellaneous and safety risk pools on June 30, 2004.

Funded Ratios for Risk Pools on June 30, 2004

	Miscellaneous Plans	Safety Plans	All Plans
Average Funded Ratio on June 30, 2004	88.5%	83.1%	85.2%

The funded ratios in the above table take into account plan side funds.

The table below shows the average funded ratios for all non-pooled miscellaneous and safety plans on June 30, 2004.

Funded Ratios for Non-Pooled Plans on June 30, 2004

	Miscellaneous Plans	Safety Plans	All Plans
Average Funded Ratio on June 30, 2004	89.3%	84.7%	87.6%

V. STRATEGIC PLAN:

This item is not a specific product of the Strategic or Annual Plans but is part of the regular and ongoing workload of the Actuarial & Employer Services Division.

VI. RESULTS/COSTS:

See Above.

Ray Lane
Supervising Pension Actuary
Actuarial & Employer Services Branch

Ron Seeling
Chief Actuary
Actuarial & Employer Services Branch